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CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE

DAILY DIGEST

Data	MAY	21	1951	
Date:				

- NOTE: 1. This summary of significant reports has been prepared primarily for the internal use of the Office of Current Intelligence. It does not represent a complete coverage of all current reports in CIA or in the Office of Current Intelligence.
 - 2. Comments represent the preliminary views of the Office of Current Intelligence.
 - 3. Marginal letter indications are defined as follows:
 - ⁿA^m items indicating Soviet-Communist intentions or capabilities
 - *B* important regional developments not necessarily related to Soviet/ Communist intentions or capabilities
 - *C* other imformation indicating trends and potential developments

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#B#

Soviet Press Highlights Johnson Peace Bid. Pravda and the other Soviet papers gave extensive publicity to the resolution of Senator Johnson (D-Colo.) calling for an armistice in the Korean War along the 38th Parallel on 25 June, the anniversary of the outbreak of war.

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COMMENT: Moscow may exploit the proposal for an armistice to support the Soviet peace campaign, particularly in view of the fact that the general Communist demand has been for the withdrawal of "foreign troops" from Korea. However, Izvestia, simultaneous with Pravda's publicity of the Johnson proposal, denounced a US Senatorial resolution affirming US friendship for the Russian people as a "smoke screen" for US "aggressive intentions" toward the USSR. Contrary to Pravdats reasoning that the resolution showed that "even certain representatives of US ruling circles are beginning to realize that Wall Street's gamble in Korea is hopeless", the Izvestia article pictured US Senators as "against a peaceful settlement of the Korean question. " It is noteworthy that the latest North Korean and Chinese Communist pronouncements regarding Korea follow the line taken by Izvestia. On 16 May Radio Pyongyang reported the Kim Il Sung, receiving a Chinese delegation on 21 April stated "we believe that victory flags will soon be planted on the soil of all Korea. " Likewise. Radio Peking, reporting the interview stated that the Chinese spokesmen assured that the "Chinese people resolutely demonstrate every effort to support you until the liberation of all Korea is achieved, and warned that "the Chinese People's Volunteer Corps and the Korean People's Army will demonstrate still further the common effort in defeating American imperialist aggression...

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Soviet Propaganda Renews Charges of US-UK Rivalry in Iran. Radio
Moscow after a short luli in commenting on US-UK moves in the Iranian situation, has now renewed efforts to stir up trouble by reiterating charges of US-UK rivalry in exploiting Iranian oil resources. A week-end radio commentary seized on rumors of US oil company efforts to offer their

25X1 services in running the nationalized industry, charged that US-UK relations were rapidly worsening, and continued the earlier Soviet theme that the US was delighted to see the UK ousted from Iran.

COMMENT: Moscow, in noting recent events in Iran, has carefully maintained its policy of avoiding direct criticism of the Iranian Government, while giving little prominence to Iranian steps to implement nationalization and the impasse in relations with the UK. At the same time Moscow has strongly played up the situation in terms of US-UK rivalry, in an effort both to further incite Iranian xenophobia and to encourage mutual US-UK misunderstanding and suspicions. Soviet propaganda has now renewed its picture of the allegedly deteriorating US-UK relations and rivalry in regard to Iran, while still maintaining a non-committal attitude pending developments.

)	HASTERN EUROPE. BULGARIA. Political Disaffection Spreads.	25X′
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	popular disillusionment with Communism among the Bulgarian people.	25X1
	of the approximately 70,000 inhabitants of the	. 05)//
	Elhovo district, which adjoins Turkey, only 3,600 are Communist Party	25X1
	members, representing a decrease of 40% since 1948. Similarly, the	25 X 1
	number of members of BANU in Elhovo has decreased from 3.500 in 1948 to	
	1,280 in 1950. overall membership in the	25 X ′
٠.	Agrarian Union has decreased to only 70,000, and explains the disinte-	25 X 1
	gration as due to "disillusionment of the rank and file with their collabo	
1	rationist leaders, who have sold themselves to the Communists."	
Į	COMMENT: The five party Fatherland Front coa-	
	lition by which the Communists effected seizure of power in Bulgaria had	14
	apparently outgrown its usefulness by 1948 when three of the component	25X
	parties were either dissolved or merged with the Communists. Since the	•
	Agrarian Party nominally represented the vast majority of the 85% peasant	
	population, it was allowed to continue as a Communist rubber stamp. Follow	-
	ing the deaths of Dimitrov and Kolarov, the hanging of Kostov and the en-	
	suing continuous purge of the Communist Party to weed out "nationalism",	
	the Agrarian Union has been used as a propaganda weapon in the government'	8
	failing attempt to shore up the internal disaffection resulting from the	
	well-nigh universal opposition of the peasants to Communist measures.	
	HUNGARY. Soviet Troop Activity Reported Normal.	,
·	who recently returned	
	from a field trip which included several localities in central Hungary	25X
	south of Budapest, has reported Soviet military activity which the Attache	
	describes as normal. Hungarian units engaged in training activities normal for the spring season.	

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SECTION 2 (EASTERN)

REFECE. More Greek Children Start On Way to Greece. US Embassy Belgrade reports that approximately 200 Greek children left Belgrade on 17 May on the first stage of their repatriation to Greece. The children are scheduled to be repatriated by 27 May.

This group of children is the third to be repatriated since November and their arrival in Greece will bring the total number returned from Yugo- 25X1 slavia to approximately 275. Greek bureaucracy and the Greek desire to accept only those children who have been carefully screened as non-Communists seem to account in great part for the slowness in repatriation. However, the groundwork appears to have been laid for considerable progress in the next few months and Dr. Homberg, head of the Swedish Delegation in Yugoslavia, estimates that approximately 500 children should be repatriated by late summer.

LEBANON. Anti-Aircraft Guns and Crews Sent to Syria. provided anti-aircraft guns and crews to Syria last week. The offer of Lebanese military assistance to Syria was apparently made even before Iraq indicated that it would provide Syria with the loan of an Iraqi fighter squadron and Iraqi antiaircraft equipment. According to the Military Attache, there is a general feeling in Beirut that the Arab States should close their ranks and stand up to Jewish pressure, even though the Lebanese have expected little to result from the Arab League meetings in Damascus. The token military assistance provided to Syria by Lebanon and Iraqalong with the possibility of aid from Egypt too-offers concrete evidence that the Arab States have felt during the past few weeks that they must act, however ineffectively, against what they consider to be Israeli aggression in the Syrian-Israeli border area. The favorable Arab reaction to the 18 May UN Security Council resolution has considerably lessemed the tension in Damascus, even though Arab officials are still concerned over Israel's public announcement that it will continue the Hule drainage project despite the UN request for a suspension of the scheme.

INDIA. No Troops to Korea. The Press Trust of India, quoting reliable sources in New Delhi, reports that India will not send troops to Korea as Indian forces are for the defense of the country only

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INDIA. Major Rift in Congress Party Becomes Evident. On 17 May, Acharya Kripalani, leader of the recently-dissolved reformist Democratic Front within the Indian Congress Party, amounted his resignation from the Congress as well as his intention to form a new All-India Party to contest the forthcoming national elections. A number of other dissident Congressment are expected to resign along with him:

COMMENT: Kripalani's resignation climaxes a dispute which 25X1 arose in November 1950 over the autocratic rule of the Congress leadership and corruption within the Party. Some 30 or 40 reformist members of Parl. 25X1 iament and the Congress Party are expected to follow Kripalani in submitting their resignations, thereby seriously weakening the Party and removing a considerable portion of Prime Minister Nehru's liberal support in the Goverrment. Since the Congress has already been weakened by previous withdrawals of both rightist and liberal groups, the question arises as to whether Congress will be strong enough successfully to contest the national elections. Tripalani may be able to weld his All-India Party into an effective force on the local and state levels as he reportedly has the backing of momerous regional anti-Congress and anti-Government groups. Since hoth houses of the national Parliament are elected directly by the people or by the Legislatures of the States according to proportional representation, the Congress Party may find after the elections that it has lost its firm control over the Covernment through a series of defeats at the hands of the All-India Party, the Socialists, or a leftist united front in such heavily-populated areas as Bengal, Uttar Pradesh, Bombay, and Madras.

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"B" INDOCHINA. Vietnamese Security Force in Tonkin Shows Weakness. The

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chief of the French Surete in Indochina told the US Consul in Hanoi that he is concerned about the security situation in North Vietnam. Internal rivalries and incompetent leadership have weakened the Vietnam Government's security service. US Consul notes that the two top men of the Vietnam security service in North Vietnam were picked for their slavish pro-French orientation rather than for ability or experience. Meanwhile, the recently appointed Vietnamese governor 25X6 of North Vietnam is reportedly not on good terms with Premier Tran Van Huu. COMMENT: The 25X1 weakening of the Vietnamese administration in North Vietnam is one of the most important results of Tran Van Huu's successful, Frenchsupported, struggle earlier this year to break the power of the Dai Viet Party. Under the control of the Dai Viet, the regional government of North Vietnam had developed a model administration, by Vietnamese standards. However, the political strength and vigorous nationalism of the Dai Viet had elicited the hostility of the French authorities. 11B11 BURMA. Burmese Deny that all Chinese Nationalists have Returned to Yumnan. The Burmese Ambassador in Bangkok labeled as untrue the report of the Chinese Nationalist Charge that Chinese Nationalist troops had left Burma. He stated that he has been informed by the Burmese Government that while one column had crossed into Yunnan, 25X1 another was dug in on the Burma side of the boundary. COMMENT: The Chinese Nationalist and Burmese reports are not wholly in conflict since the Chinese version indi-25X1 cated that there was a "rear guard" element still on Burmese soil. CHINA. Communists "not interested" in Korean Settlement. A reliable source has informed the US Consul General at Hong Kong of

CHINA. Gammanists "not interested" in Korean Settlement. A reliable source has informed the US Consul General at Hong Kong of a statement made privately a month ago, by a member of the Chinese Communist Central Committee, that the Communists (1) are "not interested" in a Korean settlement at this time, and (2) have "no fear" of an extension of hostilities to China or the USSR during 1951, due to the existence of "conflicts within the imperialist camp."

Somment: The reported statement is credible. The Peiping regime has given no indication of a willingness to modify its terms for a Korean settlement—including withdrawal of all UN forces from Korea, surrender of Taiwan to Peiping, and admission of Communist China to the UN—and recent Peiping broadcasts have alleged that the US, while desirous of expanding hostilities, cannot obtain sufficient support for such a program.

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CHINA. Hong Kong Supreme Court Awards 40 Civil Aircraft to Chinese Communists. The Hong Kong Supreme Court dismissed the claim of the Chennault-Willauer interests to 40 planes whose ownership is also claimed by the Chinese Communists. The Chennault-Willauer interests have the right to appeal the judgment within the next two months.

The planes, now immobilized at Hong Kong's Kaitak Airport, were originally the property of the Nationalist-owned Central Air Transport Corporation, whose employees defected to the Chinese Communists. The Nationalists transferred ownership of the planes to the Chennault-Willauer interests in the fall of 1949, before the UK recognized the Peiping regime.

planes may no longer be airworthy. They can, however, be salvaged for spare parts, and it is expected that litigation will continue in the effort to deny the aircraft to the Communists.

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Communist Air Strength for Korean Operations Now Estimated at 900. The US Far Eastern Command estimates the enemy now has a total of 900 operational aircraft and that this strength will possibly reach 1,000 by mid-year. FECOM notes that a large percentage of this expansion has been in fighter aircraft, "in keeping with the enemy's long continued defensive tactics..." FECOM points out, however, that "the enemy could momentarily effect a complete change in tactics and sustain offensive operations..." FECOM justifies raising the estimate of enemy air strength (from 750 to 900) on the basis of increased operational and training flights in Manchuria during April and the first week of May.

*B** KOREA. Communists May Attempt to Counter UN Naval Action in the Wonsan Area. The US Navy reporting on 18 May from the Wonsan area note the emplacement of additional artillery pieces (20mm and 76mm guns) on two peninsulas protecting Wonsan Bay. It is believed that this artillery will be used to support an offensive to be launched on an unknown date by a North Korean Colonel Kim's unit against the UN-occupied islands in Wensan Bay. A mine-laying force

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of two motorboats and ll sailboats under a North Korean Naval Captain Res will also take part in this offensive.

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shore fire received for the second successive day from Wonsan suggests that an attempt is being made by the Communists to lift the UN naval seige of Wonsan. While it is believed that Communist forces in the area may succeed, in a determined enough effort, in recapturing the UN-held islands in the Bay, the limited range of Communist artillery pieces reported as being in the area would render ineffective these pieces in an artillery duel with the UN Naval Forces in Wonsan Bay.

Communist Seaplane Observed in Northwest Korea. A delayed report from the US Far East Air Force (FEAF) states that on 6 May a US aircraft observed a seaplane, with engines running, 100 yards from the shore near Haeju, northwest of Seoul in North Korea. There were six 20-foot boats close by the aircraft. FEAF comments that the Soviet Fleet is known to possess light flying boats of the US PBY-5, Soviet GST, and MDR-6 types.

COMMENT: This is the first reported sighting of a non-friendly seaplane in the course of the Korean fighting. FEAF further suggests that in view of recent enemy air activity at Onjong-ni airfield in the immediate vicinity of Haeju, this aircraft may have been delivering critically needed material or personnel to the area.

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Recent Prisoners Report Major Unidentified Chinese Communist

Units. Chinese Communist prisoners taken on 19 and 20 May, northeast of Seoul, reported (1) that they had heard on 20 April that the 68th Army was to their rear at an unknown location, and (2) that they had heard that an unidentified army group was located to the rear of the 19th Army Group on 12 May in northwestern Korea. FECOM comments that the Chinese Communist 68th Army, 20th Army Group was last reliably reported on the Sino-Korean border. The unit has previously been reported in Korea but these reports remain unconfirmed. The unidentified army group, reported in the rear of the 19th Army Group, may be either the 20th Army Group or a composite army group similar to the Chinese Communist 3rd on the central front.

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COMMENT: The unidentified army group in northwestern Korea may be a composite force from the Second Field Army, consisting of the Chinese Communist 4th and 8th Armies. These units, although tentatively accepted in Korea, remain unlocated.

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"C" JAPAN. Communist Income Sources Allegedly Drying Up. KYODO, conservative Japanese news agency, reports Japanese authorities have obtained information that local organs of the Japan Communist Party have been deprived of their financial support from Party

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headquarters. A central headquarters directive last month allegedly instructed all local committees to make ends meet independent of help from higher organs. The authorities believe the "fact" that such an order was issued reflects the financial distress of the Party. In reviewing the previous principal, sources of revenue the authorities are quoted as explaining that (a) Party dues have dropped with a 40% loss in membership; (b) the banning of 1400 Communist publications has caused Party income from this source to drop drastically; (c) donations from sympathizers has fallen; (d) since the outbreak of Korean hostilities the increased watchfulness of the authorities has hampered smuggling activities. Meanwhile the need to build up underground organizations has increased the demand for funds. COMMENT: If KYODO's report on the state of Communist finances proves to be true, it is a very provocative thought. JCP revenue, however, has always been a subject of considerable speculation. Periodically in the past, rumors have described the pitiful financial straits of the Party which nevertheless appeared to have the requisite funds to carry on.

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nCn YOSHIDA on the Return of the Ryukyus, "Pana" advises that

Premier YOSHIDA told the Diet's Upper House on 19 May that Japan may expect the return of the Ryukyus and the Bonin Islands "in the not far distant future." The Premier said the US would consider the feelings of the Japanese people in settling the territorial

questions of the Japanese peace treaty.

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COMMENT: The basis for the Premier's remarks regarding the return of these islands is unknown and all the more inexplicable in view of Ambassador Dulles comments of some time ago that the territorial questions would not be a subject of negotiation. Next to an early treaty, the acquisition of former territory, which the Japanese consider an integral part of the nation, is the one topic on which all Japanese are most nearly united. YOSHIDA may have been trying to bring pressure on the US again.

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SECTION 3 (WESTERN)

GERMANY. Prospects for Continuation of Adenauer Coalition Still Considered Good, US officials in Bonn feel that, despite the continuing trend of losses by West German Chancellor Adenauer's Christian Democrats (CDU) in recent local elections, the outlook for the successful continuation of the present Government is reasonably good. While the coalition partners have lost ground recently, the latest elections show that the opposition Social Democrats (SPD) are no longer gaining ground and that recent SPD opposition to the Schuman Plan has not been as profitable as earlier exploitation of the rearmament issue. The Government's successful continuation is still largely dependent on the maintenance of its slim working majority (211 out of 402) in the federal parliament's lower house. In spite of the Chancellor's somewhat dictatorial treatment of his coalition partners, they are not likely to desert the Government. The possibility of the death of Adenauer, who at 75 is extremely hard-working and no longer in the best health, would require the lower house to elect a successor. It is not certain whether the present coalition could agree on one.

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COMMENT: Recent strains within the coalition over questions of economic policy such as the issue of codetermination in the coal and steel industries, have resulted from Adenauer's concessions to labor, over the objections of his coalition partners. A similar situation is not expected to develop in the near future. The coalition parties are united in support of the Schuman Plan, which is only an issue with the Socialist opposition.

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Neo-Nazi Party Attempts to Improve its Political Position.
the neo-Nazi Socialist Reich Party (SRP),

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which recently attained prominence through its success in the Lower Saxony state election, is improving its position in the west German federal parliament through political maneuvering. The SRP now has two delegates in the Parliament who, in voting, join with the Economic Reconstruction Party (WAV). This device gives the WAV the minimum representation required to qualify as a "fraction" (a designation giving the WAV certain procedural rights). The SRP has exploited this position by influencing the WAV leadership to support the SRP line on occasion. The SRP is also currently attempting to increase the size of its own representation in Parliament by defecting two delegates from another extremist party.

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at the success of the SRP in the Lower Saxony election, and at the possibility that the party might spread its influence to the rest of western Germany. The SRP has already announced that it will open

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a propaganda campaign in early June in Hesse. Because of the Federal Government's announced plans to have the SRP banned, party leaders have adopted more moderate tactics for the present, and have refrained from many of their nationalistic utterances.

nC n AUSTRIA-GERMANY. Austria Acts to Restore German Trade. The Austrian Government is taking a serious view of west Germany's curtailment of imports from Austria, and is planning to send a trade mission to Bonn the end of May to negotiate.

COMMENT: Because of its exhaustion of EPU credits, Germany suspended its imports the end of March. This action has hit Austria hard as a very high percentage of Austria's exports went to Germany (28% last December,

for example). Austria is also suffering from a probably permanent shrinkage of its Eastern markets, and is therefore accenting the importance of the German trade, which presumably can be restored.

aC 11 ITALY. Sforza Outlines Extent of Italian Demands for Revision of Peace Treaty. In a speech in Genoa calling for peace treaty revision, Foreign Minister Sforza urged: (1) reaffirmation of the March 20, 1948 tripartite declaration even if it includes a statement of western desires for a bilateral agreement; (2) abrogation of military clauses; (3) abrogation of economic clauses (specifically those that represent a victor-vanquished relationship and have unfavorable repercussions on certain industrial sectors); and (4) a decision by the West to implement the treaty promise of Italian UN membership. Sforza further indicated that the Italian Government would ask for more defense appropriations beyond the \$400 million already appropriated, again justified the need for abrogating the military provisions of the peace treaty because of Soviet satellite rearmament, and concluded by reaffirming that although the West must convert potential strength into strength in being in the shortest possible time, it must also take the psychological initiative in making clear the Soviets imperialistic and expansionistic policy. COMMENT: Sfor za's speech is part of the current municipal electoral campaign and reflects Italy's desire to reap greater benefits from Western European rearmament for Italian industry (now hampered by peace treaty restrictions against military production). The Italians may try to bargain for elimination of the most obnoxious peace treaty provisions in exchange for a greater rearmament effort. The incongruity of being forced to honor peace treaty provisions for the delivery of strategic items to the Soviet bloc while at the same time the US is trying to stop the shipment of these same items will also be emphasized.

Intensive Government Propaganda Campaign to Forestall Madrid SPAIN. Strike. The controlled Madrid press has appealed to the populace

not to participate in the consumers strike called for 22 May, calling it a crime against the state and threatening participants with severe reprisals, such as loss of their jobs and possible imprisonment. Falange youth organizations are circulating leaflets blaming agitation for the strike on a "Masonic, Communist conspiracy" 25X1 and urging the people to carry on their normal activities. 25X1 COMMENT: The Government is making every effort to prevent an effective strike in Madrid in the hope that failure in Madrid will discourage the spread of the strike movement. The probable extent or success of the strike cannot be gauged but Madrid, whose principal business is government, is not as volatile as the industrial, separatist centers of Bilbao and Barcelona. Moreover, there appears to have been 25X1 virtually no organized, non-Communist leftist participation in the agitation for the strike. The non-Communist Left, which is not effectively organized in Madrid, is believed to 25X1 regard the action of the Monarchists in calling the strike at this time as too precipitate. The action of General Munoz Grandes would seem to indicate that he, and possibly the rest of the Army, is taking a position of caution. "C" UNITED KINGDOM. Announcement of "Strengthening" of UK Mediterranean Fleet Is Useful Publicity. The Admiralty has announced that seven additional warships will join the Mediterranean Fleet as reinforcements and replacements during the next three months. These include 25X1 one aircraft carrier, one cruiser, a minelayer and various smaller vessels. COMMENT: These changes, consisting much more of already planned replacements and rotation than of actual augmentation, are not normally disclosed by the Admiralty. Public announcement at this time parallels the publicity given on 14 May to the alerting of the 16th Parachute 25X1 Brigade for overseas duty is probably intended likewise as a reminder both to the Iranian Government and to British public opinion that the UK intends to protect its Middle Eastern interests. Various elements of the British public, at least, may be expected to recall that a few weeks ago a cruiser was detached from the Mediterranean Fleet and ordered to the Persian Gulf.

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21 May 1951

SECTION 2 (EASTERN)

n Bu King Determined to Prevent Break in Anglo-Egyptian Talks. US Ambassador Caffery in Cairo has been informed by Kerim Tabet, the Royal Press Counselor, that King Farouk is determined that no break occur in the Anglo-Egyptian negotiations at the present time, assuming that (a) the forthcoming British reply leaves the door open for future talks, and(b) Foreign Minister Salaheddin is invited at a reasonable early date to proceed to London for discussion. According to Tabet, Prime Minister Nahas Pasha has "promised to be good." Tabet went on to say that if the Wafd government decided that it could not go along with the King's "suggestions", the King would then dismiss Nahas but on other grounds than the Anglo-Egyptian defense problem. For, if the King dismissed Nahas on the treaty issue and appointed Sirry as Prime Minister, for example, the King would have the entire country against him and would be compelled to remain "within the walls of his palace", COMMENT: king Farouk's opposition to any break-down at the present time in the Anglo-Egyptian defense negotiations has undoubtedly acted as a moderating influence upon the Wafd government's attitude on the question. While there is always the possibility that Egyptian public opinion may suddenly become aroused over the Suez and Sudan issues and thereby force the government to act in an irresponsible manner, the prospects seem fairly good now that the Anglo-Egyptian discussions will be allowed to continue through the summer at least, asit is in summer when government officials leave Cairo for Alexandria and when students, who often play a prominent part in political disturbances, leave for their home towns and willages upon the closing of the schools and universities.

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